

By: Metcalf

H.B. No. 168

A BILL TO BE ENTITLED

AN ACT

relating to a limitation on increases in the appraised value of certain commercial real property for ad valorem tax purposes.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Section 1.12(d), Tax Code, as effective January 1, 2027, is amended to read as follows:

(d) For purposes of this section, the appraisal ratio of property ~~[a homestead]~~ to which Section 23.23 or 23.232 applies is the ratio of the property's market value as determined by the appraisal district or appraisal review board, as applicable, to the market value of the property according to law. The appraisal ratio is not calculated according to the appraised value of the property as limited by Section 23.23 or 23.232.

SECTION 2. Subchapter B, Chapter 23, Tax Code, is amended by adding Section 23.232 to read as follows:

Sec. 23.232. LIMITATION ON APPRAISED VALUE OF CERTAIN COMMERCIAL REAL PROPERTY. (a) In this section:

(1) "Commercial real property" means real property that is held or used for the production of income.

(2) "Disaster recovery program" means a disaster recovery program funded with community development block grant disaster recovery money authorized by federal law.

(3) "New improvement" means an improvement to commercial real property made after the most recent appraisal of

the property that increases the market value of the property and the value of which is not included in the appraised value of the property for the preceding tax year. The term does not include repairs to or ordinary maintenance of an existing structure or the grounds or another feature of the property.

(b) This section applies only to a parcel of commercial real property with a market value of \$10 million or less for the tax year in which the limitation provided by Subsection (d) takes effect as to the property.

(c) This section does not apply to property appraised under Subchapter C, D, E, F, G, or H.

(d) Notwithstanding the requirements of Section [25.18](#) and regardless of whether the appraisal office has appraised the property and determined the market value of the property for the tax year, an appraisal office may increase the appraised value of a parcel of commercial real property for a tax year to an amount not to exceed the lesser of:

(1) the market value of the property for the most recent tax year that the market value was determined by the appraisal office; or

(2) the sum of:

(A) 10 percent of the appraised value of the property for the preceding tax year;

(B) the appraised value of the property for the preceding tax year; and

(C) the market value of all new improvements to the property.

1 (e) When appraising a parcel of commercial real property,
2 the chief appraiser shall:

3 (1) appraise the property at its market value; and

4 (2) include in the appraisal records both the market
5 value of the property and the amount computed under Subsection
6 (d)(2).

7 (f) The limitation provided by Subsection (d) takes effect
8 as to a parcel of commercial real property on January 1 of the tax
9 year following the first tax year in which the owner owns the
10 property on January 1 and in which the property meets the definition
11 of commercial real property. The limitation expires on January 1 of
12 the tax year following the first tax year in which the owner of the
13 property ceases to own the property or the property no longer meets
14 the definition of commercial real property.

15 (g) For purposes of Subsection (f), a person who acquired a
16 parcel of commercial real property before the 2026 tax year is
17 considered to have acquired the property on January 1, 2026.

18 (h) Notwithstanding Subsections (a)(3) and (d) and except
19 as provided by Subdivision (2) of this subsection, an improvement
20 to property that would otherwise constitute a new improvement is
21 not treated as a new improvement if the improvement is a replacement
22 structure for a structure that was rendered unusable by a casualty
23 or by wind or water damage. For purposes of appraising the property
24 under Subsection (d) in the tax year in which the structure would
25 have constituted a new improvement:

26 (1) the appraised value the property would have had in
27 the preceding tax year if the casualty or damage had not occurred is

1 considered to be the appraised value of the property for that year,
2 regardless of whether that appraised value exceeds the actual
3 appraised value of the property for that year as limited by
4 Subsection (d); and

5 (2) the replacement structure is considered to be a
6 new improvement only if:

7 (A) the square footage of the replacement
8 structure exceeds that of the replaced structure as that structure
9 existed before the casualty or damage occurred; or

10 (B) the exterior of the replacement structure is
11 of higher quality construction and composition than that of the
12 replaced structure.

13 (i) Notwithstanding Subsection (h)(2), and only to the
14 extent necessary to satisfy the requirements of a disaster recovery
15 program, a replacement structure described by that subdivision is
16 not considered to be a new improvement if to satisfy the
17 requirements of the disaster recovery program it was necessary
18 that:

19 (1) the square footage of the replacement structure
20 exceed that of the replaced structure as that structure existed
21 before the casualty or damage occurred; or

22 (2) the exterior of the replacement structure be of
23 higher quality construction and composition than that of the
24 replaced structure.

25 SECTION 3. Sections 25.19(b) and (g), Tax Code, as
26 effective January 1, 2027, are amended to read as follows:

27 (b) The chief appraiser shall separate real from personal

1 property and include in the notice for each:

2 (1) a list of the taxing units in which the property is
3 taxable;

4 (2) the appraised value of the property in the
5 preceding year;

6 (3) the taxable value of the property in the preceding
7 year for each taxing unit taxing the property;

8 (4) the appraised value of the property for the
9 current year, the kind and amount of each exemption and partial
10 exemption, if any, approved for the property for the current year
11 and for the preceding year, and, if an exemption or partial
12 exemption that was approved for the preceding year was canceled or
13 reduced for the current year, the amount of the exemption or partial
14 exemption canceled or reduced;

15 (4-a) a statement of whether the property qualifies
16 for the limitation on appraised value provided by Section 23.232;

17 (5) in italic typeface, the following statement: "The
18 Texas Legislature does not set the amount of your local taxes. Your
19 property tax burden is decided by your locally elected officials,
20 and all inquiries concerning your taxes should be directed to those
21 officials";

22 (6) a detailed explanation of the time and procedure
23 for protesting the value;

24 (7) the date and place the appraisal review board will
25 begin hearing protests;

26 (8) an explanation of the availability and purpose of
27 an informal conference with the appraisal office before a hearing

on a protest; and

(9) a brief explanation that the governing body of each taxing unit decides whether or not taxes on the property will increase and the appraisal district only determines the value of the property.

(g) By April 1 or as soon thereafter as practicable if the property is a single-family residence that qualifies for an exemption under Section 11.13, or by May 1 or as soon thereafter as practicable in connection with any other property, the chief appraiser shall deliver a written notice to the owner of each property not included in a notice required to be delivered under Subsection (a), if the property was reappraised in the current tax year, if the ownership of the property changed during the preceding year, or if the property owner or the agent of a property owner authorized under Section 1.111 makes a written request for the notice. The chief appraiser shall separate real from personal property and include in the notice for each property:

(1) the appraised value of the property in the preceding year;

(2) the appraised value of the property for the current year and the kind of each partial exemption, if any, approved for the current year;

(2-a) a statement of whether the property qualifies for the limitation on appraised value provided by Section 23.232;

(3) a detailed explanation of the time and procedure for protesting the value; and

(4) the date and place the appraisal review board will

begin hearing protests.

SECTION 4. Section 41.41(a), Tax Code, as amended by H.B. 4809, Acts of the 89th Legislature, Regular Session, 2025, and effective January 1, 2027, is amended to read as follows:

(a) A property owner is entitled to protest before the appraisal review board the following actions:

(1) determination of the appraised value of the owner's property or, in the case of land appraised as provided by Subchapter C, D, E, or H, Chapter 23, determination of its appraised or market value;

(2) unequal appraisal of the owner's property;

(3) inclusion of the owner's property on the appraisal records;

(4) denial to the property owner in whole or in part of a partial exemption;

(4-a) determination that the owner's property does not qualify for the limitation on appraised value provided by Section 23.232;

(5) determination that the owner's land does not qualify for appraisal as provided by Subchapter C, D, E, or H, Chapter 23;

(6) identification of the taxing units in which the owner's property is taxable in the case of the appraisal district's appraisal roll;

(7) determination that the property owner is the owner of property;

(8) a determination that a change in use of land

1 appraised under Subchapter C, D, E, or H, Chapter 23, has occurred;

2 (9) a determination of:

3 (A) the appraised value of a structure or
4 archeological site that qualifies for an exemption under Section
5 11.24;

6 (B) the appraised value of the land necessary to
7 access the structure or site; and

8 (C) the allocation of the appraised value between
9 the structure or site and the land; or

10 (10) any other action of the chief appraiser,
11 appraisal district, or appraisal review board that applies to and
12 adversely affects the property owner.

13 SECTION 5. Section 42.26(d), Tax Code, as effective January
14 1, 2027, is amended to read as follows:

15 (d) For purposes of this section, the value of the property
16 subject to the suit and the value of a comparable property or sample
17 property that is used for comparison must be the market value
18 determined by the appraisal district when the property is [~~a~~
19 ~~residence homestead~~] subject to the limitation on appraised value
20 imposed by Section 23.23 or 23.232.

21 SECTION 6. Sections 403.302(d) and (i), Government Code, as
22 effective January 1, 2027, are amended to read as follows:

23 (d) For the purposes of this section, "taxable value" means
24 the market value of all taxable property less:

25 (1) the total dollar amount of any residence homestead
26 exemptions lawfully granted under Section 11.13(b) or (c), Tax
27 Code, in the year that is the subject of the study for each school

1 district;

2 (2) one-half of the total dollar amount of any
3 residence homestead exemptions granted under Section 11.13(n), Tax
4 Code, in the year that is the subject of the study for each school
5 district;

6 (3) the total dollar amount of any exemptions granted
7 before May 31, 1993, within a reinvestment zone under agreements
8 authorized by Chapter 312, Tax Code;

9 (4) subject to Subsection (e), the total dollar amount
10 of any captured appraised value of property that:

11 (A) is within a reinvestment zone created on or
12 before May 31, 1999, or is proposed to be included within the
13 boundaries of a reinvestment zone as the boundaries of the zone and
14 the proposed portion of tax increment paid into the tax increment
15 fund by a school district are described in a written notification
16 provided by the municipality or the board of directors of the zone
17 to the governing bodies of the other taxing units in the manner
18 provided by former Section 311.003(e), Tax Code, before May 31,
19 1999, and within the boundaries of the zone as those boundaries
20 existed on September 1, 1999, including subsequent improvements to
21 the property regardless of when made;

22 (B) generates taxes paid into a tax increment
23 fund created under Chapter 311, Tax Code, under a reinvestment zone
24 financing plan approved under Section 311.011(d), Tax Code, on or
25 before September 1, 1999; and

26 (C) is eligible for tax increment financing under
27 Chapter 311, Tax Code;

1 (5) the total dollar amount of any captured appraised
2 value of property that:

3 (A) is within a reinvestment zone:

4 (i) created on or before December 31, 2008,
5 by a municipality with a population of less than 18,000; and

6 (ii) the project plan for which includes
7 the alteration, remodeling, repair, or reconstruction of a
8 structure that is included on the National Register of Historic
9 Places and requires that a portion of the tax increment of the zone
10 be used for the improvement or construction of related facilities
11 or for affordable housing;

12 (B) generates school district taxes that are paid
13 into a tax increment fund created under Chapter 311, Tax Code; and

14 (C) is eligible for tax increment financing under
15 Chapter 311, Tax Code;

16 (6) the total dollar amount of any exemptions granted
17 under Section 11.251 or 11.253, Tax Code;

18 (7) the difference between the comptroller's estimate
19 of the market value and the productivity value of land that
20 qualifies for appraisal on the basis of its productive capacity,
21 except that the productivity value estimated by the comptroller may
22 not exceed the fair market value of the land;

23 (8) the portion of the appraised value of residence
24 homesteads of individuals who receive a tax limitation under
25 Section 11.26, Tax Code, on which school district taxes are not
26 imposed in the year that is the subject of the study, calculated as
27 if the residence homesteads were appraised at the full value

1 required by law;

2 (9) a portion of the market value of property not
3 otherwise fully taxable by the district at market value because of
4 action required by statute or the constitution of this state, other
5 than Section 11.311, Tax Code, that, if the tax rate adopted by the
6 district is applied to it, produces an amount equal to the
7 difference between the tax that the district would have imposed on
8 the property if the property were fully taxable at market value and
9 the tax that the district is actually authorized to impose on the
10 property, if this subsection does not otherwise require that
11 portion to be deducted;

12 (10) the market value of all tangible personal
13 property, other than manufactured homes, owned by a family or
14 individual and not held or used for the production of income;

15 (11) the appraised value of property the collection of
16 delinquent taxes on which is deferred under Section 33.06, Tax
17 Code;

18 (12) the portion of the appraised value of property
19 the collection of delinquent taxes on which is deferred under
20 Section 33.065, Tax Code;

21 (13) the amount by which the market value of property
22 ~~[a residence homestead]~~ to which Section 23.23 or 23.232, Tax Code,
23 applies exceeds the appraised value of that property as calculated
24 under Section 23.23 or 23.232, Tax Code, as applicable ~~[that~~
25 ~~section]~~; and

26 (14) the total dollar amount of any exemptions granted
27 under Section 11.35, Tax Code.

(i) If the comptroller determines in the study that the market value of property in a school district as determined by the appraisal district that appraises property for the school district, less the total of the amounts and values listed in Subsection (d) as determined by that appraisal district, is valid, the comptroller, in determining the taxable value of property in the school district under Subsection (d), shall for purposes of Subsection (d)(13) subtract from the market value as determined by the appraisal district of properties [~~residence homesteads~~] to which Section [23.23](#) or [23.232](#), Tax Code, applies the amount by which that amount exceeds the appraised value of those properties as calculated by the appraisal district under Section [23.23](#) or [23.232](#), Tax Code, as applicable. If the comptroller determines in the study that the market value of property in a school district as determined by the appraisal district that appraises property for the school district, less the total of the amounts and values listed in Subsection (d) as determined by that appraisal district, is not valid, the comptroller, in determining the taxable value of property in the school district under Subsection (d), shall for purposes of Subsection (d)(13) subtract from the market value as estimated by the comptroller of properties [~~residence homesteads~~] to which Section [23.23](#) or [23.232](#), Tax Code, applies the amount by which that amount exceeds the appraised value of those properties as calculated by the appraisal district under Section [23.23](#) or [23.232](#), Tax Code, as applicable.

SECTION 7. This Act applies only to the appraisal of commercial real property for ad valorem tax purposes for a tax year

1 that begins on or after the effective date of this Act.

2 SECTION 8. This Act takes effect January 1, 2027, but only
3 if the constitutional amendment proposed by the 89th Legislature,
4 1st Called Session, 2025, to authorize the legislature to limit the
5 maximum appraised value of certain commercial real property for ad
6 valorem tax purposes is approved by the voters. If that amendment
7 is not approved by the voters, this Act has no effect.